

Transcript

Interview with Brooke Corte, Money News, 2GB

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What does the manufacturing sector think about the PM's gas-led recovery?

Brooke Corte: We mentioned gas stocks in particular yesterday – we kind of singled those out after Scott Morrison called for a gas-led recovery. And well, surprise surprise, today it's all become a slanging match, as we said it would become. Environmentalists, a couple of billionaires – they've dismissed the gas-led recovery out of hand. The energy sector can't quite believe the Government's threatening to intervene with taxpayer's money. And the pro-coal groups remain pro-coal.

However, the manufacturing sector – the manufacturing sector has thrown its support behind the plan. Senior figures are saying the plan will give local operators access to gas that is up to three times cheaper which will allow them to compete with offshore competitors. Our decade long energy policy debacle has been the bane of the manufacturing sector. It's desperate for cheap, reliable power delivered as quickly as humanly possible.

So, let's talk tonight about Australia's manufacturing sector in more detail. Not just about power though, but the role it's going to play in Australia's economic recovery. David Chuter is the CEO of the Innovative Manufacturing CRC – and welcome back to Money News, David Chuter.

David Chuter: Hi, thanks for having me back Brooke. Good to see you again.

Brooke Corte: Well talk to us briefly to start with about this gas-led recovery from the PM. Would this benefit the manufacturing industry?

David Chuter: The simple answer is yes. Gas and energy pricing generally has been a headache for manufacturers whether you're a small, medium or a major user. And it has been for some time now – quite a few years. My experience running a factory in Geelong that made all the glassware, the windscreens for cars, gas was a really big input cost. And you know what it's like at home when you get the gas bill – you always worry how much it's going to have increased. Just see that amplified out in industry when you're running a factory with machines operating all day. It's a major headache and this gives some certainty now in terms of what manufacturers are going to have to pay for their energy, but more importantly about the reliability of their energy source as well.

So yes, in short while there's been a lot of discussion today about the environmental side of things, I think this gives some relief for manufacturers and gives them some certainty that they can use that money they can save on gas on other things, like skills, jobs, new equipment, new technology.

Brooke Corte: And talk to us more broadly about the role you see manufacturing playing in the economic recovery, particularly as we've got this worsening relationship between Canberra and Beijing, worsening by the week. There's this idea we can decouple from China, which is probably unrealistic, but there must be stuff that we can bring home onshore. What's your view?

David Chuter: Yeah, I absolutely agree. And in fact, even before COVID this was already happening, and it was happening because companies around the country, manufacturers, were starting to embrace quite quickly a lot of the latest level technologies that are out there. This might be robotics, it might be using things like virtual reality, 3D printing. And what they were finding was that this was all enabling companies in Australia to be more competitive, to reduce their costs, but more importantly to add value and enhance what they make. And we were seeing companies all over the country bringing work back from markets like China and creating jobs in Australia and then exporting those products from Australia out to the other markets.

So, I think COVID has only put a spotlight on the sheer amount of things that we do buy from overseas, but there was already a groundswell underway. And I think what's going to happen is that a lot more manufacturers are going to look to how can we supply local markets? But we can't forget that we're part

of an international manufacturing community and we should be looking to export from Australia as well as supply locally.

Brooke Corte: And so, what does the sector need to keep that trend intact and to build on it?

David Chuter: Yeah, it's a very good question because understandably many companies right now are just worrying about being able to pay bills, keep employees going. And I think what we've got to do is we've got to look at all the levers we can pull – energy certainty and pricing is a significant one for many manufacturers. But I think what COVID provides the opportunity for us to do is to refocus the businesses, upskill our people. And even in our homelives we've become very digitally focused – you know, we're all working on Zoom. There's not one business out there that probably isn't accelerating very quickly in terms of digital transformation. And the opportunity to do that right now is across all manufacturing and across all industry.

I think the challenge is that it's going to be a pipedream if we think we can make everything here in Australia – that shouldn't be the strategy. We should always make sure that we make things that make sense, and where we can compete on value, and where we can create jobs and knowhow. But we've got to have one eye on the ability to export as well, so we've got that international relevance.

Brooke Corte: And what are some examples of that stuff – the smarter stuff that we can do and manufacture? Because we're not manufacturing cars – I mean that's the obvious example – we're not doing that. So, what are we doing, what can we do?

David Chuter: No, and look I've spent 25 years in the car industry so very sad to see it go. But interesting enough there are a lot of people who were working in the car industry that are now in companies in Victoria like [Vizi] who have helped set up the Amazon distribution centres, who have gone on to great jobs in much bigger organisations and brought that automotive knowhow. I think what we've got to focus on is probably making things that are more complex than we have done in the past. We tend to buy things in from overseas such as cars, such as computers. But as we found recently even things like medical devices where all the value-add work, all the complexity, is actually built in another country, and yet in some cases the raw materials have actually come from Australia to enable them to do that.

So, the smart answer is really leveraging new technologies, finding new industries to grow. And renewables is a great industry to do that – the health sector is a great industry for us to grow. And marrying that up with smart science, smart research, and smart ideas, I think we've got an awful lot of latent capability in Australia that we probably don't harness as well as we can do, and maybe COVID is the opportunity for us to all bring that together.

Brooke Corte: So great to chat. David Chuter, CEO of the Innovative Manufacturing CRC, thanks for joining Money News once again.

David Chuter: Thanks Brooke. Great to talk to you.

Brooke Corte: Thanks David.